

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON

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E.O. 11652:N/A

TAGS:ETRD, GATT, OECD, PO

SUBJECT:PORTUGUESE IMPORT SURCHARGE

1. EMBASSY SHOULD CONVEY TO APPROPRIATE GOP OFFICIALS US
REGRET THAT PORTUGAL HAS FOUND IT NECESSARY TO ADOPT AN
IMPORT SURCHARGE FOR A WIDE RANGE OF IMPORTS. WHILE THE
US IS SYMPATHETIC TO PORTUGUESE ECONOMIC DIFFICULTIES AND
APPRECIATES THE NEED FOR SOME FORM OF CORRECTIVE ACTION TO
FORESTALL A FURTHER DECLINE IN PORTUGAL'S RESERVE POSITION,
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MEASURES WHICH BEAR ENTIRELY ON THE TRADE ACCOUNT TEND TO

FUEL PRESSURES IN OTHER COUNTRIES TO TAKE SIMILAR RESTRICTIVE ACTIONS.

2. THE US HOPES THAT THE GOP WILL ADOPT ALTERNATIVE DOMESTIC MEASURES WHICH WILL HELP RELIEVE PRESSURES ON THE GROWING BOP DEFICIT AS WE BELIEVE THIS WILL FACILITATE THE GOP ADOPTION OF A PLAN TO PHASE OUT AND EVENTUALLY ELIMINATE THE SURCHARGE AT AN EARLY DATE. THE DEPARTMENT NOTES THAT THE SURCHARGE IS ONLY EFFECTIVE THROUGH THE END OF 1975 AND WELCOMES THIS INDICATION THAT THE SURCHARGE IS TEMPORARY. EMBASSY SHOULD STRESS OUR HOPE THAT SURCHARGE WILL BE REMOVED AS SOON AS POSSIBLE AND THAT IT WILL BE APPLIED IN A COMPLETELY NON-DISCRIMINATORY MANNER.

3. EMBASSY SHOULD INQUIRE CONCERNING GOP PLANS TO NOTIFY MEASURE TO APPROPRIATE INTERNATIONAL BODIES. WHILE WE ASSUME GOP WILL NOTIFY SURCHARGE TO GATT IN ACCORD WITH STANDARD PROCEDURES, YOU SHOULD SUGGEST THAT NOTIFICATION ALSO BE MADE TO THE OECD DESPITE PORTUGAL'S FAILURE TO JOIN IN RENEWAL OF THE OECD TRADE PLEDGE. PORTUGAL SHOULD HAVE AN INTEREST IN STEPS SUCH AS FULL MULTILATERAL CONSULTATION WHICH HELP FORESTALL RESTRICTIVE ACTIONS FROM SPREADING. OECD CONSULTATIONS WOULD BE USEFUL, MOREOVER, IN NOTING THE SERIOUSNESS OF THE PORTUGUESE BOP SITUATION AND HIGHLIGHTING POSSIBLE COMPLEMENTARY AND ALTERNATIVE ACTIONS WHICH COULD BE TAKEN TO CORRECT PORTUGAL'S BOP DEFICIT.

4. DEPT. WOULD APPRECIATE EMBASSY COMMUNICATION OF MORE DETAILS OF SURCHARGE SUCH AS DATA ON PERCENT OF PORTUGUESE IMPORTS COVERED BY THE 40 PAGE LIST (20 PERCENT SURCHARGE) AND TEN PAGE LIST (30 PERCENT SURCHARGE) AS WELL AS ANALYSIS OF PROJECTED IMPACT OF MEASURES ON TRADE FLOWS, INCLUDING COUNTRIES MOST LIKELY TO BE AFFECTED. DEPT. WOULD ALSO APPRECIATE EMBASSY REPORTING ON RECENT CHANGES IN PORTUGUESE RESERVE POSITION AND STEPS, IF ANY, TAKEN BY GOP TO FINANCE DEFICIT THROUGH RESERVES. KISSINGER

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